

COUNCIL ACTION

EXECUTIVE SUMMARY SHEET **CITY OF SAN DIEGO**

DATE: 01/30/2012

ORIGINATING DEPARTMENT: Corporate Partnership

SUBJECT: Marketing Partnership with Rainbow Vending

COUNCIL DISTRICT(S): CITYWIDE

CONTACT/PHONE NUMBER: Natasha Collura/(619) 236-7002, MS 9A

DESCRIPTIVE SUMMARY OF ITEM:

Authorizing the Mayor, or his designee, to execute, for and on behalf of the City, an Agreement with Rainbow Vending, Inc., for the placement of snack vending machines and certain marketing rights and benefits to Rainbow Vending in exchange for payment to the City of commissions on the sales of snacks and commissions on the sale of advertising, including a commission payment of \$30,000 in the first year of the Agreement, for a term of 4 years and 10 months, all on the terms and conditions as set forth in the proposed Marketing Partnership Agreement.

STAFF RECOMMENDATION:

Approve Requested Action

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

Introduction

On June 8, 1999, the City Council approved a strategic marketing plan for corporate partnerships with the City of San Diego, called the Municipal Marketing Partnership Program (MMPP). On January 18, 2000, the City Council approved a Marketing Partnership Policy (Council Policy No. 000-40) to provide guidelines for the Program.

The MMPP, now known as the Corporate Partnership Program (CPP), seeks opportunities for the City to generate cash and in-kind resources from partnerships with the corporate community, in order to enhance municipal services and facilities in the City.

Process Followed to Develop This Partnership

In December 2011, the CPP contacted over 60 vending machine companies soliciting interest. The CPP issued the Request for Sponsorship (RFS) for Snack Vending Services directly to those companies that expressed interest, and posted the opportunity on the CPP webpage, and posted a link to the RFS from the Purchasing & Contract webpage. The stated objective of the RFS was to give vending companies the opportunity to develop a marketing partnership wherein the City would receive cash from the vendor in return for marketing opportunities available through the City.

In response to the RFS, three companies indicated interest in a marketing partnership. Two of the three companies could not fulfill the requirements of the RFS. CPP then met and negotiated with Rainbow Vending who was selected to be the City's Vending Official Snack Vending Partner based on its ability to provide the best overall benefit to the City.

Rainbow Vending Proposal

The Marketing Partnership Agreement which has been negotiated between the City and Rainbow Vending. The Agreement is based upon a four year and 10 month term to coincide with the term of the Rainbow Vending Beverage Vending Agreement.

The benefits to the City under this Agreement are as follows:

1. Revenue potential due to combined projections of commissions and advertising/sponsorship program.
2. Unique advertising and sponsorship commissions are incremental to snack commissions.
3. Vending company is willing to expand from current locations with aesthetically pleasing enclosures in high volume areas to protect from vandalism.
4. San Diego based company with positive references from 3 other public agencies.
5. Installation, servicing, staff management and maintenance of machines meet the City's goals and objectives.
6. Provides a diverse product line including healthy snack options.

Marketing Rights Fee

Rainbow Vending will provide a \$30,000 marketing rights fee via advanced commission in FY12. Rainbow Vending will provide the City with 20% gross sales commission on all snack products sold in machines on City property. Rainbow Vending will provide the City with 30% of net sales commission on advertising or sponsorship revenue through the implementation of the VendSight program. Implementation of the vending advertising and sponsorship program will be within the City of San Diego's sign ordinance.

Fiscal Year	Projected Vending Revenue	Projected Advertising Revenue	Total Projected Revenue
FY12*	\$30,000	N/A	\$30,000
FY13	\$41,000	\$19,000	\$60,000
FY14	\$50,000	\$25,000	\$75,000
FY15	\$57,000	\$25,000	\$82,000
FY16	\$66,000	\$25,000	\$91,000
FY17	\$35,000	\$12,000	\$47,000
Total	\$279,000	\$106,000	\$385,000

*\$30,000 in advance of sales in FY12

Marketing Partnership Agreement

Rainbow Vending will be the Official Snack Vending Partner of the City and will be afforded specific marketing benefits by the City.

The marketing rights and benefits agreed to are as follows:

1. The right to be designated and referred to as the "Official Snack Vending Partner" of the City and the right to promote this designation.
2. The right to have logo presence on the City's website.
3. The exclusive provider of snack vending machines at City facilities and locations.
4. The opportunity to sell on-premise advertising and off-premise sponsorship on vend fronts and vending machine enclosures, within sign ordinance parameters.
5. The opportunity to develop press releases, stories, features and other publicity about the partnership for distribution to local, regional and national newspapers and wire services.
6. The right to have a representative of the CPP to work with Rainbow Vending to fulfill the rights and benefits that are listed in the Agreement.

Conclusion

By utilizing the City's Corporate Partnership Program, the City has negotiated a partnership with Rainbow Vending. The proposed Marketing Partnership Agreement between the City and Rainbow Vending will generate an estimated \$385,000 for the City of San Diego over the next five years, through the sale of snack products and advertising/sponsorship.

The proposed partnership with Rainbow Vending is consistent with the City's Corporate Partnership Program and the City's Marketing Partnership Policy. The proposed Marketing Partnership Agreement includes benefits awarded to Rainbow Vending; including the right to be designated and referred to as the "Official Snack Vending Partner" of the City of San Diego. These benefits do not include naming rights. The marketing rights fee is in the form of an advanced commission in order to secure upfront revenue in FY12.

FISCAL CONSIDERATIONS:

A \$30,000 marketing rights fee via advanced commission to be paid by Rainbow Vending during FY12. The term of the Marketing Partnership Agreement is four years and ten months.

The overall fiscal impact is revenue estimated at \$385,000 over four years and ten months, depending on the total projected sales of snack vending product and advertising/sponsorship. All funding to be deposited in the General Fund.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

None

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

General Fund and services for residents paid for by General Fund.

Collura, Natasha

Originating Department

Deputy Chief/Chief Operating Officer